



Laureate 2019 Simon Groot

Assignment 1: East-West Seed Comparison of profitability

Introduction

When Simon Groot founded East-West Seed, his idea was to introduce high-quality vegetable seeds in Southeast Asia. He was convinced that better inputs (i.e. seeds of better quality and better knowledge on vegetable production) were essential to increase smallholder farmers income.



The problem was that the smallholder farmers had to be convinced that investing more in the seed, among other things, first would ultimately ensure significantly greater profits. The example in the table below shows the information for locally sourced cucumber seed and hybrid cucumber seed purchased from East-West Seed.

Variable	Locally sourced seed	EWS hybrid seed
Seed cost (USD/ha)	U\$ 25	U\$ 131
Other inputs (USD/ha)	U\$ 750	U\$ 1662
Yield (kg/ha)	16,000 kg	26,000 kg
Selling price (USD/kg)	U\$ 0.13	U\$ 0.163
Total costs (USD/ha)	a)	b)
Total gross income (USD/ha)	c)	d)
Total net profit (USD/ha)	e)	f)

Table 1: Comparison of profitability between locally sourced seed and hybrid seed for cucumbers in Cambodia

Assignments

1. Calculate the total gross income (a and b) and the total net profit (c and d).

Variable	Locally sourced seed	EWS hybrid seed
Total costs (USD/ha)	a)	b)
Total gross income (USD/ha)	c)	d)
Total net profit (USD/ha)	e)	f)

2. Compare the outcomes: what is most profitable for a smallholder farmer?
3. What do you think could be arguments for a smallholder farmer to work with the locally sourced cucumber seed?
4. Suppose you are an employee of East-West Seed and your assignment is to engage with smallholder farmers in Cambodia about the benefits of using East-West Seed's hybrid cucumber seeds. How would you approach this? What arguments would you use?